



Fitch Upgrades BBVA Empresas 5, FTA's Junior Notes to 'A-sf' Ratings

Endorsement Policy

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Fitch Ratings-Madrid/London-01 August 2014: Fitch Ratings has upgraded BBVA Empresas 5, F.T.A.'s class B notes and affirmed the class A notes, as follows:

EUR169.0m Class A (ISIN ES0313281000): affirmed at 'A-sf', Outlook Stable

EUR275.0m Class B (ISIN ES0313281018): upgraded to 'A-sf' from 'BBBsf', Outlook Stable

BBVA Empresas 5, FTA, (the issuer) is a static cash flow SME CLO originated by Banco Bilbao Vizcaya Argentaria (BBVA; A-/Stable/F2). At closing, the issuer used the note proceeds to purchase a EUR1.25bn portfolio of secured and unsecured loans granted to Spanish small and medium enterprises and self-employed individuals.

KEY RATING DRIVERS

The upgrade reflects the transaction's improved performance and the deleveraging of the structure as the portfolio of assets amortise, as well as the notes' exposure to counterparty risk. Deleveraging has increased the notes' available credit enhancement (CE) so credit losses from the portfolio of assets are not a driver of the ratings.

The class B notes' rating is linked to that of, which acts as account bank. The class B notes are excessively exposed to BBVA as a jump to default of the account bank would result in the default of the class B notes.

The rating of the class A notes is capped at 'A-sf' by the counterparty exposure to BBVA as direct support account bank. This is because the class A notes require the liquidity provided by the reserve fund to ensure timely payment of interest upon a servicer disruption.

CE available to the class A notes has increased to 114.4% from 93.5% since the last review in October 2013. CE is provided by overcollateralisation by risky assets (62%) and by the cash reserve (52.4%). The class B notes now benefit from increased CE of 52.4% (up from 43.5% as of the time of the last review in October 2013).

90d+ and 180d+ delinquency ratios have decreased (2.5% and 2.0% as of end-June 2014, down from 3.6% and 2.5% in October, respectively) and recoveries have improved (34% weighted average recovery on defaulted assets, up from 10% as of October 2013).

The portfolio factor was 37% as of 30 June 2014 and the performance has improved significantly. There are EUR8.5m of non-defaulted assets more than 12 months in arrears in the pipeline. These late delinquent assets represent 75% of all non-defaulted assets more than 90 days in arrears and will become defaulted on the next payment dates unless cured. These defaults will be provisioned for from the EUR232.8m available in the cash reserve, currently underfunded below the EUR250m required level as it is not allowed to amortise. The transaction considers loans in arrears of more than 18 months to be defaulted.

The swap contract of the transaction was removed in June 2014. This did not result in a downgrade. The removal of the swap will effectively increase the excess spread available to provision defaults and will be trapped by the cash reserve as long as the reserve is not topped up to the required level (see 'Fitch: No Rating Impact on BBVA Empresas 5 and 6 from Swap Removal', dated 16 June 2014 at www.fitchratings.com for more details).

RATING SENSITIVITIES

Applying a 1.25x default rate multiplier to all assets in the portfolio would not result in downgrade of any of the notes. Applying a 0.75x recovery rate multiplier to all assets in the portfolio would not result in downgrade of any of the notes.

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Source of information: The information used to assess these ratings was sourced from periodic investor reports and the trustee.

Applicable criteria 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated March 2014; 'Counterparty Criteria for Structured Finance and Covered Bonds', dated May 2014, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)
Counterparty Criteria for Structured Finance and Covered Bonds

Additional Disclosure

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